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Taxpayers can now remit estimates, extensions, tax notices and return payments on the internet for Interest & Dividends Tax, Business Profits Tax, Business Enterprise Tax and Meals & Rentals Tax. Some Interest & Dividends Tax Returns may also be filed electronically. For more information, please visit our web site.

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**STATE OF NEW HAMPSHIRE
DEPARTMENT OF REVENUE ADMINISTRATION**

**FREQUENTLY ASKED QUESTIONS
(FAQ's)**

INTEREST AND DIVIDENDS TAX

(I&D)

RSA 77 REV 900



The New Hampshire Department of Revenue Administration offers this publication of answers to the most frequently asked questions. While we have attempted to identify the most common concerns, this publication does not address every situation, set of facts, or circumstances. Our goal is to develop a tax administration system that is fair and efficient, with taxpayers having the highest degree of confidence in the integrity of the Department.

Should you have questions or wish to request additional educational services or publications for use in state tax instruction, please feel free to send your request in writing to our NH DRA Customer Education Committee, PO Box 457, Concord, NH 03302-0457.

Visit us on the web @:
revenue.nh.gov

Q: What is the Interest and Dividends Tax (I&D)?

A: It is a 5% tax on interest and dividend income. Currently, the State of New Hampshire does not have an income tax on an individual's reported W-2 wages and capital gains.

Q: Who pays it?

A: Resident individuals, partnerships, limited liability companies and fiduciaries with non-transferable shares earning interest and dividend taxable income of more than \$2,400 annually (\$4,800 for joint filers). In addition, the following exemptions may also apply: 1) a \$1,200 exemption is available for residents who are 65 years of age or older; 2) a \$1,200 exemption is available for residents who are blind regardless of their age; and 3) a \$1,200 exemption is available to disabled individuals who are unable to work, provided they have not reached their 65th birthday.

Q: When is the return due?

A: The return is due on the 15th day of the 4th month following the end of the taxable period. There is no filing requirement for an individual whose total interest and dividend income, after deducting all interest from U.S. obligations or other non-taxable income, \$2,400 or less (\$4,800 for joint filers) for a taxable period.

Q: Do I have to make estimated payments?

A: Beginning in 2004, calendar year filers whose tax liability will exceed \$500, estimated tax payments, paid at 25% each, are due on April 15, June 15 and September 15 of the current calendar year, and January 15 of the subsequent calendar year. For fiscal year filers, estimates are due on the 15th day of the 4th, 6th, 9th & 12th month of the taxable period.

Q: Who do I contact with questions?

A: Taxpayer Assistance personnel of the Document Processing Division, PO Box 637, Concord, NH 03302-0637 or call (603) 271-2186.

Q: Are liquidating dividends taxable?

A: No.

Q: My spouse lives in another state, do I have to file a joint return?

A: You may file the same way you file federally.

Q: What factors are used to determine if I am a resident of New Hampshire?

A: Factors include but are not limited to: maintaining a home, spending a greater percent of time in New Hampshire; having family living with them in New Hampshire; advising a state or local agency you are a resident; registering to vote in New Hampshire. Refer to the departments administrative rules, Rev 902.01, 902.02 and 902.03.

Q: Do I have to report portfolio income, gains and losses?

A: Yes, you must report your portfolio income, gains and losses in Page 2, Line 2 of the New Hampshire Interest and Dividend Tax return, but then you deduct them in Page 2, Line 4.

Q: Are distributions taxable?

A: S-Corps: All actual and constructive receipt of distributions (including non-cash distributions) from an "S" corporation are taxable by New Hampshire regardless of the original source of the income.

Partnerships, LLC's, Associations, Trusts or Estates: Does the organization have transferable shares? (Can you freely transfer your shares without causing a dissolution of the organization or without obtaining prior member approval?) If yes, your entire ACTUAL distribution from this organization is taxable. If so, all of your actual and constructive receipt of distributions (including non-cash distributions) from this entity is taxable by New Hampshire regardless of the original source of the income.

If the organization is not required to file its own New Hampshire Interest & Dividends Tax return AND the organization has non-transferable shares, then the distribution you received from them is taxable to you as if it had come from its original source. The interest and dividend income subject to tax shall be imposed on the portion of the distribution which represents interest or dividend received by the entity. Therefore, a portion of the distribution you received is taxable to you. The taxable portion is determined by multiplying the amount of the actual distribution received by a fraction. The numerator is the total interest and dividend received by the entity. The denominator is the total amount of gross income received by the entity.

Q: Is interest and dividends from College Investment Savings Plans taxable to New Hampshire under the Interest and Dividends Tax?

A: No, qualified interest or dividend income from College Investment Savings Plan is not taxable.

Q: Why did I receive a NH Form 1099-G and what should I do with it?

A: The NH DRA is required by the Internal Revenue Service to notify any non-corporate taxpayer by January 31, of activity in the prior year that was a refund, credit or offset of taxes based on income. If a refund is indicated you should have received a check, a credit is an overpayment applied to another tax period, and an offset is an overpayment that was applied to a tax notice. We must also provide the information to the IRS, and you may be required to report all or part of the amount on the NH form 1099-G as income on your federal return. Give the form to your preparer, if you have one; or review the instructions in your federal tax booklet for the proper federal treatment. The Department of Revenue Administration cannot advise you how to handle the amount on your federal tax return because it depends on how the tax deduction was treated in the prior year and other limitations.